

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: 2003/2004 Proposed Budget – Facilities Management

ITEM NUMBER: 4

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 6, 2002

INFORMATION: _____

PRESENTER(S): Peggy Plett

Facility Management Budget Change Proposal

The proposed budget for 2003/2004 identified Facility Management as a critical area, essential to meeting CalSTRS' immediate, short term and long term space needs. While it was commonly accepted that CalSTRS needed additional space to house the incoming positions as a result of the Customer Services Initiative (30) and other budget changes proposed for 2003/2004 and beyond, staff were uncertain of the extent of the need and the long term adequacy of the current headquarters building. Consequently, a budget place holder was developed which included estimates for additional facility costs for 2003/2004 along with one Space Planner position to manage the additional facility needs of the System. Our initial estimate was \$2,582,000.

We engaged the services of Calpo Hom and Dong Architects (CH&D) to assess the adequacy of existing space for immediate, short term and long term needs. Their study methodology involved interviews with all areas, a measurement of existing space use and needs, the development of a standard space allocation to use for planning purposes, and a projection of growth to 2007. Their final report, a detailed Space Program Study, concludes that available space in the CalSTRS headquarters building is not adequate to meet the immediate, short term or long term needs. Key findings from their study are summarized below and detailed in Attachment 1. Karl Chan, Senior Project Manager for CH&D will be available at the meeting to answer questions regarding the study.

Immediate Needs – 2002/2003

During this fiscal year, we anticipate establishing an additional 30 positions to fulfill the provisions of the Customer Services Initiative. The resulting space requirements for this growth will require CalSTRS to obtain an additional 13,300 square feet of office space within the current fiscal year. Obviously, any costs associated with the current year needs must be met within existing resources.

Immediate Needs – 2003/2004

CalSTRS anticipates adding an additional 44 positions based upon Board approved budget changes effective July 1, 2003. In addition to the work station needs for each position, we anticipate a commensurate increase in the need for training rooms, meeting and conference rooms, and common use areas. CH&D estimate our need to be an additional 40,700 square feet. The estimated costs (noted on Attachment 1, page 2) of \$2,514,401 include assumptions for rent, tenant improvements, moving expenses, and costs associated with backfill of space within the existing building.

CalSTRS' Asset Manager Mark Billeci and Property Manager David Shultz have conducted some preliminary research on the availability of space in proximity to CalSTRS headquarters building. Their research has indicated that while space in the area is available, there are other conditions associated with the options that make the estimated cost increase to approximately \$3,900,000. This includes the cost for a Facility Manager position, as originally requested.

Short Term Needs – 2004/2005

We anticipate that the growth of the System would be minimal for the 2004/2005 fiscal year, not requiring additional space.

Short Term Needs – 2005/2006

We anticipate modest growth, requiring an additional 8,000 square feet.

Short Term Needs – 2006/2007

CalSTRS regains approximately 50,000 square feet when the current tenants vacate in June 2006. However, even with this reclaimed space, the current headquarters building will not be adequate to meet all of the System's needs.

Long Term Needs – 2006/2007 and Beyond

CalSTRS will continue to require outside leased space.

RECOMMENDATION:

Staff recommends that the Committee approve the revision to Budget Change Proposal 5, increasing the amount to \$3,900,000 for Fiscal Year 2003/2004. This would bring the total proposed budget to \$98,149,277. Attachment 2 reflects the revised budget summary.

PROPOSED BUDGET
2003-2004 BUDGET YEAR
STATE TEACHERS' RETIREMENT SYSTEM
FUND 0835

2002-03 APPROVED GOVERNOR'S BUDGET \$77,584,466

I. BASELINE ADJUSTMENTS:

Salary Adjustments	555,000	
Price Increase @ 2%	619,000	
Retirement Rate Increase	867,000	
Pro Rata Adjustment	0	
Delete 2002-03 One-Time Costs	(10,312,200)	
Total Baseline Adjustments		(8,271,200)

II 2003-2004 PROPOSED BUDGET NEEDS, AS OF September 30, 2002:

1. Customer Service Initiative	2,204,040	
2. Information Technology	17,782,500	
3. Human Capital Investment	582,179	
4. Corporate Data Integrity	1,042,838	
5. Facility Management	3,900,000	
6. Investment Program Expansion	470,000	
7. Workload Proposals	2,854,454	
Total Proposed Budget Needs		28,836,011

TOTAL PROPOSED, 2003-2004 \$98,149,277

STATE OF CALIFORNIA
STATE TEACHERS' RETIREMENT SYSTEM
SPACE PROGRAM SUMMARY

Issue Date: 10/29/2002
Revision: 2

Calpo/Hom/Dong Architects
2150 Capitol Ave. Suite 200
Sacramento, CA 95816
916.446.7741

Department: State Teacher's Retirement System

Description	2002 Staff	2002 SF	x45% Circul.	2002 New Std.Total	x45% Circul.	2003 Staff	2003 SF	x45% Circul.	2005 Staff	2005 SF	x45% Circul.	2007 Staff	2007 SF	x45% Circul.
Executive Office	2	1,412	2,047	1,512	2,192	4	1,766	2,561	4	1,766	2,561	4	1,766	2,561
Project Management Office	54	4,413	6,399	4,884	7,082	63	5,449	7,901	63	5,449	7,901	63	5,449	7,901
Client Benefits and Services	345	29,667	43,017	32,155	46,625	357	37,494	54,366	375	38,698	56,112	407	41,090	59,581
External Affairs and Program Development	45	5,439	7,887	4,288	6,218	51	7,723	11,198	59	8,403	12,184	69	9,203	13,344
Investments	61	9,871	14,313	10,420	15,109	73	11,680	16,936	78	11,840	17,168	87	13,554	19,653
Administration	86	10,135	14,696	10,263	14,881	101	16,130	23,389	107	16,610	24,085	118	17,430	25,274
Information and Financial Systems	199	18,358	26,619	19,409	28,143	211	21,342	30,946	222	22,162	32,135	228	22,642	32,831
Legal Office	12	2,420	3,509	2,154	3,123	14	2,543	3,687	15	2,623	3,803	17	2,843	4,122
Common Use Facilities		9,407	13,640	9,407	13,640		11,949	17,326		12,649	18,341		13,725	19,901
Subtotals	804	91,122	132,127	94,492	137,013	874	116,076	168,310	923	120,200	174,290	993	127,702	185,168
Building Common Area 13%*			17,176		17,176			17,176			17,176			17,176
Total 1			147,982		154,190			185,487			191,466			202,344
Common Area for New Facility 1.5%**			2,220		2,220			2,220			2,220			2,220
Total 2			150,942		156,410			187,706			193,686			204,564

*Building Common area - corridors, restrooms, tel/elec., etc...

**Common area - lobby, corridor, etc..

Description	2002 Staff	2002 SF	x45% Circul.	2002 New Std.Total	x45% Circul.	2003 Staff	2003 SF	x45% Circul.	2005 Staff	2005 SF	x45% Circul.	2007 Staff	2007 SF	x45% Circul.
Outdoor Space Req.			0		0		420	609		420	609		420	609
Subtotals	0	0	0	0	0	0	420	609	0	420	609	0	420	609